



Incorporating the practice of SMITH LYONS

May 22, 2003

Ambassador Niagara Signature Bridge Group
Main Court, 438 Main Street
Lobby Level, Suite 200
Buffalo, New York
14202

Attention: James B. Kane, Regional Director

- and -

Ambassador Bridge
P.O. 32666
Detroit, Michigan
48232

Attention: Dan Stamper, President

Dear Sirs:

**Re: Niagara River Bridge Franchise Held by
the Buffalo and Fort Erie Public Bridge Authority**

We are the solicitors for The Buffalo and Fort Erie Public Bridge Authority (the "Bridge Authority") which owns and operates the Peace Bridge connecting these cities.

Recently information has come to the attention of the Bridge Authority to the effect that your companies or others associated with you are purchasing or contemplating the purchase of properties along the Niagara River in or adjacent to Fort Erie and Buffalo with the intention, as we are given to understand it, to facilitate either the use of the International Railway Bridge for vehicular traffic or the construction of a new vehicular bridge in this area.

We are writing at this time to advise you and your associates that the Bridge Authority holds an exclusive franchise in respect of vehicular bridges within six (6) miles upstream and downstream from the location of the Peace Bridge between Fort Erie and Buffalo and that no other bridge for like purpose may be constructed or located at any point nearer than six (6) miles from the location of the Peace Bridge.

This franchise and specific protection from competitor bridges granted by Parliament in 1923 was and remains an essential element in the economic viability of the Peace Bridge. As you may be aware, Parliament authorized the financing of the Peace Bridge by the issuance of

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bonds, and the bond obligations remain outstanding. Payment of the bonds is in turn dependent upon the Bridge Authority not having vehicular traffic diverted to a competitor bridge.

For your information the franchise is established in the following clause as found in Section 7 of the *Statutes of Canada 1923 c. 74*:

“Provided always that no other bridge for a like purpose shall be constructed or located at any point nearer than six (6) miles from the location of the bridge of the Company, except with the consent of the Company or the Governor in Council.”

The Bridge Authority’s Parliamentary protection from competition together with the Parliamentary grant of authority to the Bridge Authority for the levying of tolls constitutes a franchise as understood at common law.

It is clear law that interference with franchise rights of this nature may be prevented by way of injunction. A review of the case law indicates injunctions are readily granted by Canadian courts to a franchisee such as the Bridge Authority in the event of actual or attempted impairment of the franchisee’s rights.

While the theoretical possibility of Cabinet consent is provided by the legislation, realistically this is not an option, as it is recognized this would trigger a claim for Canadian taxpayers to compensate the Bridge Authority and its bondholders for significant losses and damages caused by for-profit firms such as yours.

In summary, please regard this letter as notice from our client that the Bridge Authority fully intends to protect its franchise and will take appropriate legal proceedings to restrain interference with its franchise rights, should that occur.

We respectfully suggest your companies refrain from completing any land purchases or entering into any agreements for the purpose of acquiring rights in lands within six (6) miles of the Peace Bridge for the purposes of converting the International Railway Bridge to vehicular traffic or constructing any new vehicular bridge within that area.

Yours sincerely,
GOWLING LAFLEUR HENDERSON LLP

David Estrin
Certified as a Specialist in Environmental
Law by the Law Society of Upper Canada

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